

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 460
Committee Substitute Favorable 5/3/91

Short Title: HMO Amendments.

(Public)

Sponsors:

Referred to:

April 1, 1991

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE AMENDMENTS TO THE STATUTES GOVERNING HEALTH
3 MAINTENANCE ORGANIZATIONS.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 58-67-50(a) reads as rewritten:

6 "(a) (1) Every enrollee residing in this State is entitled to evidence
7 of coverage under a health care plan. If the enrollee obtains coverage
8 under a health care plan through an insurance policy or a contract
9 issued by a hospital or medical service corporation, whether by
10 option or otherwise, the insurer or the hospital or medical service
11 corporation shall issue the evidence of coverage. Otherwise, the
12 health maintenance organization shall issue the evidence of
13 coverage.

14 (2) No evidence of coverage, or amendment thereto, shall be issued or
15 delivered to any person in this State until a copy of the form of the
16 evidence of coverage, or amendment thereto, has been filed with and
17 approved by the Commissioner.

18 (3) An evidence of coverage shall contain:

19 a. No provisions or statements which are unjust, unfair,
20 inequitable, misleading, deceptive, which encourage
21 misrepresentation, or which are untrue, misleading or deceptive
22 as defined in G.S. 58-67-65(a); and

- 1 b. A clear and complete statement, if a contract, or a reasonably
2 complete summary, if a certificate of:
- 3 1. The health care services and insurance or other benefits,
4 if any, to which the enrollee is entitled under the health
5 care plan;
 - 6 2. Any limitations on the services, benefits, or kind of
7 benefits, to be provided, including any deductible or
8 copayment feature;
 - 9 3. Where and in what manner information is available as to
10 how services may be obtained;
 - 11 4. The total amount of payment for health care services and
12 the indemnity or service benefits, if any, which the
13 enrollee is obligated to pay with respect to individual
14 contracts, or an indication whether the plan is
15 contributory or noncontributory with respect to group
16 certificates;
 - 17 5. A clear and understandable description of the health
18 maintenance organization's method of resolving enrollee
19 complaints-complaints;
 - 20 6. A description of the reasons, if any, for which an
21 enrollee's enrollment may be terminated for cause, which
22 reasons may include behavior that seriously impairs the
23 health maintenance organization's ability to provide
24 services or an inability to establish and maintain a
25 satisfactory physician-patient relationship after
26 reasonable efforts to do so have been made.

27 Any subsequent change may be evidenced in a separate
28 document issued to the enrollee.

- 29 (4) A copy of the form of the evidence of coverage to be used in this State,
30 and any amendment thereto, shall be subject to the filing and approval
31 requirements of subsection (b) unless it is subject to the jurisdiction of
32 the Commissioner under the laws governing health insurance or
33 hospital or medical service corporations in which event the filing and
34 approval provisions of such laws shall apply. To the extent, however,
35 that such provisions do not apply the requirements in subsection (c)
36 shall be applicable."

37 Sec. 2. G.S. 58-53-70 reads as rewritten:

38 "**§ 58-53-70. Exclusions.**

39 ~~The~~An insurer shall not be required to issue a converted policy covering any person
40 if such person is or can be covered by Medicare. Furthermore, ~~the~~an insurer shall not be
41 required to issue a converted policy covering any person if:

- 42 (1) a. Such person is covered for similar benefits by another hospital,
43 surgical, medical or major medical expense insurance policy, or

1 hospital or medical service subscriber contract or medical practice or
 2 other prepayment plan, or by any other plan or program;

3 b. Such person is or could be covered for similar benefits, whether
 4 or not covered for such benefits, under any arrangement of
 5 coverage for individuals in a group, whether insured or
 6 uninsured; or

7 c. Similar benefits are provided for or available to such person,
 8 whether or not covered for such benefits, by reason of any State
 9 or federal law; and

10 (2) The benefits under sources of the kind referred to in subdivision (1)a
 11 of this section for such person, or benefits provided or available under
 12 sources of the kind referred to in subdivisions (1)b and (1)c of this
 13 section for such person, together with the converted policy's benefits
 14 would result in overinsurance according to the insurer's standards for
 15 ~~overinsurance.~~ overinsurance; or

16 (3) An enrollee's enrollment in a health maintenance organization has
 17 been terminated for cause in accord with the terms of the enrollee's
 18 evidence of coverage or the health maintenance organization's contract
 19 with the group."

20 Sec. 3. G.S. 58-53-75 reads as rewritten:

21 "**§ 58-53-75. Information.**

22 A converted policy may provide that ~~the~~ an insurer may at any time request
 23 information of ~~the~~ an insured policyholder with respect to any person covered
 24 thereunder as to whether he is covered for the similar benefits described in G.S. 58-53-
 25 70(1)a or is or could be covered for the similar benefits described in G.S. 58-53-70(1)b
 26 and 58-53-70(1)c. The converted policy may provide that as of any premium due date
 27 ~~the~~ an insurer may refuse to renew the policy or the coverage of any insured person for
 28 the following reasons only:

29 (1) Either those similar benefits for which such person is or could be
 30 covered, together with the converted policy's benefits, would result in
 31 overinsurance according to the insurer's standards for overinsurance,
 32 or the policyholder of the converted policy fails to provide the
 33 requested information;

34 (2) Fraud or material misrepresentation in applying for any benefits under
 35 the converted policy; ~~or~~

36 (3) Eligibility of any insured person for coverage under Medicare, or
 37 under any other State or federal law providing benefits substantially
 38 similar to those provided by the converted ~~policy.~~ policy; or

39 (4) Termination of an enrollee's enrollment in a health maintenance
 40 organization for cause in accord with the terms of the enrollee's
 41 evidence of coverage or the health maintenance organization's contract
 42 with the group."

43 Sec. 4. G.S. 58-67-5(i) reads as rewritten:

1 "(i) 'Net worth' means the excess of total assets over the total liabilities and may
2 include borrowed funds that are repayable only from the net earned income of the health
3 maintenance organization and repayable only with the advance permission of the
4 Commissioner. ~~In determining net worth only tangible assets shall be considered.~~ For the
5 purposes of this subsection, 'assets' means (i) tangible assets and (ii) other investments
6 permitted under G.S. 58-67-60; provided, however, that the depreciated cost of office
7 furniture and equipment in the principal office shall not exceed ten percent of a health
8 maintenance organization's net worth."

9 Sec. 5. This act is effective upon ratification.